

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matters of)	
)	
International Comparison and Consumer)	GN Docket No. 09-47
Survey Requirements in the Broadband Data)	
Improvement Act)	
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
Inquiry Concerning the Deployment of Advanced)	
Telecommunications Capability to All Americans)	
In a Reasonable and Timely Fashion, and Possible)	
Steps to Accelerate Such Deployment Pursuant to)	GN Docket No. 09-137
Section 706 of the Telecommunications Act of)	
1996, as Amended by the Broadband Data)	
Improvement Act)	

NBP PUBLIC NOTICE #19
COMMENTS OF ALASKA COMMUNICATIONS SYSTEMS

Alaska Communications Systems ("ACS")¹ submits these comments in response to the NBP (National Broadband Plan) Public Notice # 19 issued by the Federal Communications Commission ("FCC" or "Commission") in the above referenced proceedings on November 13, 2009 (Public Notice No. 19).²

¹ Alaska Communications Systems in this proceeding represents four local exchange carriers, ACS of Anchorage, Inc., ACS of Alaska, Inc., ACS of Fairbanks, Inc. and ACS of the Northland, Inc., one interexchange company, ACS Long Distance, Inc., one wireless company, ACS Wireless, Inc. and one Internet Service Provider, ACS Internet, Inc. Together, these companies provide wireline, wireless and other telecommunications and network services to consumer, business and enterprise customers in the State of Alaska and beyond using its statewide and interstate telecommunications network.

² Public Notice, GN Docket Nos. 09-47, 09-51, 09-137, Comment Sought on the Role of the Universal Service Fund and Intercarrier Compensation in the National Broadband Plan (November 13, 2009).

I. INTRODUCTION AND SUMMARY

ACS is pleased to offer input to this very important component of the Commission's national broadband inquiry. ACS advocates on behalf of expanded federal funding for broadband services, but only if existing support mechanisms remain in place and fully functional. ACS believes that structural changes to the contribution methodology will enhance the revenue basis for all funds, thus making sufficient and predictable support possible for both legacy telecommunications needs as well as the addition of broadband support. In the following paragraphs, ACS will offer specific comments in response to the FCC's public notice.

II. COMMENTS

1. Size of the Universal Service Fund

ACS Position: The existing Fund(s) supporting traditional voice services should not be diminished in an effort to provide needed assistance for broadband deployment. Assuming current levels of support for voice services continue, ACS endorses the concept of providing necessary capex and opex funding for the deployment, expansion and operation of broadband networks.

ACS' position on this issue is uncomplicated. ACS fully endorses the notion that Universal Service Fund ("USF") support for broadband deployment and operations is critical to the national broadband plan. ACS also strongly believes that support for broadband must not come at the expense of continued funding of basic voice telecommunications services in high-cost areas. The country has also benefited greatly from the assistance provided in the more

specialized Lifeline, Schools and Libraries, and Rural Health programs. These programs should not be diluted as new broadband programs come on line. To the extent that existing programs are insufficient to achieve the universalization of broadband – and it is likely that they are – the source of funding needs to be expanded. Instead of reducing support for existing programs, ACS urges the Commission to focus on structural changes to the contribution mechanisms that will allow the USF to increase its revenue basis to match growing needs.

Moreover, preserving financial support for narrowband voice services is legally required. First, the FCC has an obligation to provide sufficient support to ensure comparable rates for urban and rural voice service. Given the high cost of broadband service to many parts of “Bush” Alaska for the foreseeable future, there is no reasonable way to meet this obligation except with financial support for traditional narrowband voice services. Similarly, the FCC has determined that basic voice service is one of the nine universal services that must be made available. Consequently, the FCC is legally obligated to continue financial support for voice services until it makes a determination that broadband service is universally available. Again, because of the extremely high capital and operating costs associated with broadband service to “Bush” Alaska, universal broadband service is not reasonably foreseeable.

2. Contribution Methodology

ACS Position: ACS endorses the concepts of restructuring the contribution methodology and expanding the revenue basis to permit broadband assistance without imposing a detrimental impact on support for existing voice services.

ACS advocates a numbers-based contribution system with appropriate adjustments for high capacity circuits and dedicated data facilities/services. Further, consistent with enhancing the mechanism to support broadband, ACS recommends an assessment on each and every email address just as there will be an assessment on each and every telephone number. Historical distribution of support responsibilities will be need to be analyzed to ensure that a reasonable balance is maintained between the contributions of individual consumers and those provided by business customers. A significant shift in this relative relationship would be detrimental to the goals of maintaining existing programs and expanding the support needed for broadband deployment. The Commission must also take care not to exacerbate an already difficult circumstance whereby wireline customers are motivated to discontinue service or replace it exclusively with wireless service. Accelerating this phenomenon will also make it difficult to produce the USF revenues necessary to achieve the stated objectives of the national broadband plan.

3. Transitioning the Current Universal Service High-Cost Support Mechanism to Support Advanced Broadband Deployment.

ACS Position: ACS recommends a fairly lengthy transition process to achieve necessary funding for broadband costs not already supported by existing programs. Existing programs should remain in full force and effect during and after the transition period.

ACS urges the Commission to adopt a reasonable transition plan. As noted, this would not be a plan to reduce other programs as the broadband support

program grew, but rather an opportunity to gradually increase the USF revenue basis so that all programs, including broadband, could be appropriately funded. During this transition period, the Commission would have access to real-world experience to determine whether incremental broadband support was feasible.³ It would also be an opportunity to gauge the impact on the existing USF programs and to ensure that unintended consequences, such as the diminishment of support for basic telecommunications services, do not inadvertently occur. To accomplish this, ACS recommends a ten-year transition plan to bring broadband funding up to expectations while consistently maintaining existing levels of support for the other USF programs.

Telecommunications networks are often designed to deliver voice and broadband over the same facilities. As such, upgrades that provide better voice quality (for example, shortening loops, placing new/better quality copper, or replacing copper feeder cables with fiber) also enhance broadband capabilities. While this makes it impossible to compute a precise percentage of spending that can be assigned to broadband versus voice, it suggests that a high percentage of USF funds that are spent today help to enable broadband deployment.

ACS endorses the use of a single, non-segmented fund to support broadband deployment. Funding should be sufficient, predictable and established at a level that both incents facilities investment and maintains urban/rural pricing comparability. It is important to recognize that ensuring a reasonable opportunity to recover private investment and needed support for ongoing broadband

³ In this context, incremental broadband support is the additional support necessary to facilitate broadband deployment beyond that already included in typical investment decisions as supplemented with funding from existing USF supported programs.

operating expenses is the only way to prompt such investment in situations where a viable business case does not exist.

ACS has had a lengthy and troubling experience with the use of forward looking cost models following the TCA.⁴ If the FCC's intent is to apply artificial assumptions to its broadband funding initiative in the interest of deliberately minimizing support, forward looking cost models will probably achieve that objective. This is also true if the Commission elects to limit or eliminate support for operating expenses where a subsidy may be needed. In a place like Alaska which is highly dependent on satellite transport, backhaul-related operating costs can be prohibitive. In these circumstances, if cost recovery – in its many forms⁵ – is deliberately constrained, it creates a disincentive for private sector investment. The result is that the overarching goal of ubiquitous broadband access will be impeded.

ACS does not object to the Commission's consideration of all revenues associated with broadband plant in establishing support levels. However, the model must be both dynamic and realistic in its factoring in the decline of traditional landline and voice services. ACS also agrees that broadband support considerations should take notice of NTIA/RUS⁶ grants and other contributions in aid. To the extent that such contributions exist, they should have the effect of minimizing the level of support needed from a broadband USF. The ultimate

⁴ Telecommunications Act of 1996

⁵ Other significant broadband operating expense categories beyond transport include space, power and costs related to Internet peering relationships.

⁶ National Telecommunications and Information Administration/Rural Utilities Service

goal, of course, continues to be extensive deployment of broadband access with urban/rural rate comparability.

ACS repeats here its position offered recently to the NTIA/RUS, that grant modeling as well as broadband support modeling driven by census block data will produce counterintuitive results in Alaska. Using a “wire center” approach is much more likely to achieve the goals of the national broadband plan. Even then, the Commission is urged to apply a flexible approach that is technology neutral and can accommodate not only existing methods of service delivery, but also address new technologies that will deliver broadband services in the future. In setting its support levels, the Commission may opt to impose funding caps. As previously stated any attempt to artificially suppress reasonable funding levels will inhibit investment and negatively impact broadband goal realization.

Finally, ACS notes that there are a number of unique and extraordinarily difficult challenges to providing universal communications services in Alaska. The FCC has previously recognized these challenges and created special rules for Alaska and native tribal areas. The FCC should consider extending these policies in this proceeding, if necessary to continue financial support for traditional narrowband voice services and to explore new ways to promote the provisioning of broadband services.

4. Impact of Changes in Current Revenue Flows

ACS Position: USF support has been and will continue to be a critical element of service delivery – both for legacy telecommunications as well as for broadband deployment.

While ACS has not undertaken a detailed analysis of the impact of potential changes in USF, USF has been an important element in ACS's financial well-being and its ability to provide needed services at affordable rates. In 2008, USF accounted for over 10% of ACS's revenue. ACS collected approximately \$41.6 million in USF for all subsidiaries out of total-company 2008 revenue of approximately \$390 million.

As noted above, the FCC is legally obligated to continue to provide this level of support for traditional narrowband voice services under existing law at least until such time as a ubiquitous and universal broadband system capable of providing universal voice services is available. As a ubiquitous broadband network throughout Alaska is not in the foreseeable future (due to the high capital and operating costs of such a network) the FCC needs to continue its support for traditional voice services or risk a significant deterioration of existing levels of service.

5. Competitive Landscape

ACS Position: ACS believes the time has come to fully integrate the notion of competitive neutrality into the regulatory paradigm. Applying flexibility in the use of any current and future technology to meet service obligations is the appropriate starting point.

ACS urges the Commission to revisit not just Carrier of Last Resort ("COLR"), but all regulatory obligations that have been implemented during the last 75 years – and in particular, the last 14 years. These requirements now result in a playing field that is unquestionably uneven – especially for incumbents. For

the most part, these obligations, both federal and state, should be eliminated with the competitive marketplace being the final arbiter for ensuring needed services are offered at reasonable rates, terms and conditions. To the extent that regulators are simply not willing or able to move in that direction, then there must be symmetry in the application of these obligations such that incumbents and competitors alike incur the same regulatory treatment.

ACS does not endorse designating a single provider to be the broadband COLR. To the extent that regulators are determined to articulate broadband COLR responsibilities, ACS does not oppose assigning such duties to all entities that receive broadband USF support. ACS is concerned, though, about the notion of imposing other conditions on the receipt of broadband support. For example the idea of requiring support recipients to offer their services on a common carrier basis implies that rates, terms and conditions will be regulated. As was experienced in the post-TCA era, such regulation was one-sided and was virtually always applied to the detriment of incumbents. What ratemaking methodology will be imposed on broadband common carrier services? The TCA approach selected to price unbundled network elements taught us a lesson. If this approach is used again, providers are certain to be required to offer services on a below cost basis. In such cases, the additional private investment necessary to complete the broadband funding chain is unlikely to be forthcoming.

Finally, ACS urges the Commission to adopt the most flexible guidance possible as it crafts the national broadband plan. Providers should be free to meet

service obligations using all forms of delivery modalities. Wireless and VOIP⁷ technologies are useful tools that can be used to meet both consumer demands as well as the government's policy objectives. Some industry analysts believe that VOIP will ultimately supplant traditional wireline networks for the provision of voice services. However, in order for this evolution to proceed, arcane rules that were written at a time when copper-fed wireline systems were the exclusive mode of service must be changed. Technologies are inherently different and it is unreasonable to prescribe wireline standards for all methods of service delivery. To the extent that the states are disinclined to make these policy changes, it may be necessary for the FCC advance national guidance on such issues.

6. High-Cost Funding Oversight

ACS Position: ACS does not believe that any incremental oversight associated with a broadband USF is needed.

ACS is aware that certain issues have been raised with specific regard to the Schools and Libraries Fund. ACS is not aware of any significant concerns associated with the administration of the current federal high-cost fund. Since the new broadband fund would be analogous to the high-cost fund, it seems that existing public accountability mechanisms – reporting, audits, etc. – as they may be adjusted from time to time, should be adequate to ensure appropriate behavior.

7. Lifeline/Link Up

ACS Position: ACS believes that existing Lifeline/Link Up rules can be easily modified to accommodate the addition of broadband services and devices.

⁷ Voice Over Internet Protocol

The primary area of FCC inquiry in this section is focused on devices. ACS offers these suggestions. As is currently the case experienced by voice-grade wireless Lifeline customers, the addition of broadband should not change the fact that devices are owned by the consumer. The use of a voucher system is one way that support can be made available directly to users allowing them the discretion to make purchases based on their own needs. It is anticipated that the FCC will continue to have role in approving device characteristics and capabilities, but ACS urges the Commission remain flexible. Setting minimum specifications may be of some value, but given the dynamic nature of the device industry, the Commission will want to have policies in place the foster continued innovation. To facilitate that, the FCC should consider offering funding assistance for a new device purchase once every two to three years.

ACS recommends that existing Lifeline/Link Up eligibility guidelines also apply to broadband Lifeline. It seems prudent, however, to require a separate customer application for participation in the additional broadband program. ACS urges the Commission to limit the program to providers who have successfully secured ETC⁸ status. Allowing non-ETCs to participate would once again tilt the competitive landscape in ways that are unlikely to be in the public interest. Providers that have already been designated as ETCs should automatically be allowed to participate in the broadband Lifeline program if they offer broadband services. ETCs that do not offer broadband services should not be required to do so as a condition of retaining their ETC designation. As a final point, ACS urges

⁸ Eligible Telecommunications Carrier

the Commission to apply the same notice and outreach requirements to broadband Lifeline as are currently in effect for the voice-grade program.

III. CONCLUSION

ACS appreciates the opportunity to provide comments to the Commission on the very important issues included in Public Notice #19. ACS looks forward to future phases of this inquiry as the Commission develops its national broadband strategy.

Respectfully submitted on this 7th day of December, 2009.

/s/ Leonard Steinberg

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